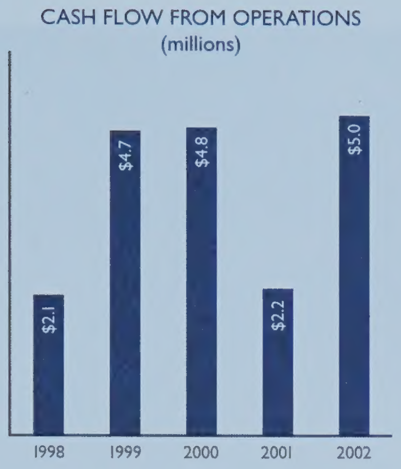
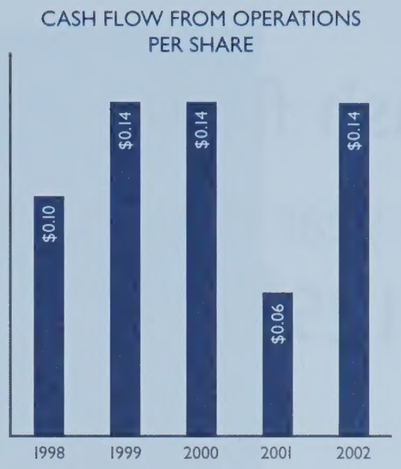
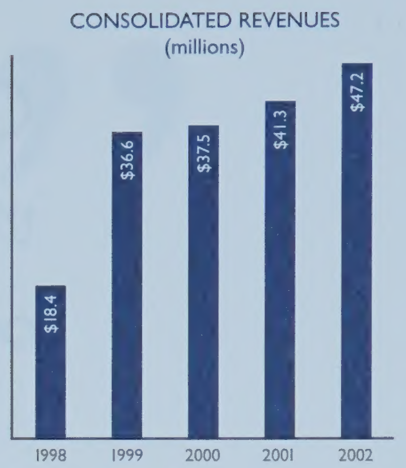
ANNUAL REPORT 2002

AMICA MATURE LIFESTYLES INC.







CORPORATE PROFILE

WHO WE ARE

Amica is a leader in the design, development, marketing and management of housing and services for mature lifestyles. We are focused on understanding the needs of our residents and the communities in which they live. Our branded Wellness & Vitality Programs are the foundation of our success.

HOW WE DIFFERENTIATE OURSELVES

Historically, seniors housing has been delivered in an institutional setting with small rooms and limited amenities. A key milestone for the Company was to break out of the housing business and to position ourselves in the Wellness & Vitality business. From our MPOWER Program, to our nutritional analyses, to the very design and operations of our residences, the simple fact of the matter is that everything we do is structured so that the Wellness & Vitality of our residents is our primary focus.

HOW WE SUCCEED

To further support our innovative environments, we have focused on the quality of both our people and our organization. All residences, whether new or refurbished, are linked in a network that is distinguished by the most effective management and the most efficient operations in the industry. Applying understanding of residents' needs with proven operations and economies of scale puts Amica ahead of all competitors.

OUR VISION

Our vision is to create value for our residents, partners and shareholders by building on our network of residential communities and leveraging the expertise that we possess throughout our organization. Our goal is to be the premier operator and brand in this new industry by providing environments that recognize and cater to the needs of each individual who calls Amica home.

Cash flow from operations for the year improved by $2.8 million or 129%.

MESSAGE TO OUR SHAREHOLDERS

Welcome to our 5th Annual Report. Over the past year, we have successfully solidified our foundation as a Company. This has established the platform from which we will be able to build our brand and operating results to generate strong financial returns for shareholders as we enter the next phase in our Company's development. This past year has generated immediate improvements in cash flow from operations over the previous year in all quarters by a substantial margin. Cash flow from operations for the year improved by $2.8 million or 129%. While the Company practiced a "nose to the grindstone" philosophy and focused on improving financial results in all areas, on a parallel basis the Company further developed its operating protocols, significantly improved occupancy, completed the rollout of the Amica branding strategy and firmly established the leading edge Wellness & Vitality Programs throughout its communities. These accomplishments are even more significant in light of the current global economic climate.

HIGHLIGHTS

- 129% increase in cash flow from operations over last year
- 133% increase in per share cash flow from operations
- Increase in occupancy, excluding new developments opened since April 1, 2001, to 94.4% vs. 90.9% at the beginning of the fiscal year
- 95% lease-up of our first joint venture within one year of opening
- Opening of Amica at Villa Da Vinci and Amica at Erin Mills
- Completion of a $1.3 million renovation at Amica at Rideau Manor
- Formation of Amica at Bayview partnership and commencement of construction

As the **company grows** and **brands** more communities, we expect to reap even **greater rewards** from our branding strategy.

OPERATIONS AND BRANDING

During the past year our operations team focused on a number of key objectives, including: (1) delivery of the Amica Wellness & Vitality Philosophy at all residences, (2) developing effective marketing strategies, both on a company wide and local community basis, and (3) completing the rollout of the Amica branding strategy. These three elements are critical to the success of each residence and the Company as a whole, and have made it possible for Amica to set new standards in the seniors luxury housing market.

One of our milestones during this year was the 95% lease-up of Amica at Swan Lake in Markham, Ontario within one year of opening, a great accomplishment in the seniors housing industry. While our goal is to match this achievement with all of our new developments, it clearly surpasses industry norms and highlights the ability of our Company to select ideal locations, design optimal luxury retirement residences, and market and operate these residences in a manner that reflects our ability to understand the needs and demands of today's mature adults.

Another key accomplishment is the Company's substantial growth in occupancy. This is a direct reflection on the expertise and success of our marketing and operations teams. Both areas worked hand-in-hand to affect the positive change in occupancy through their various functions and by creating the "Amica Experience", where environment, attitude and service are all of the highest quality right across the Company.

This past year we have seen that our branding strategy, while in its infancy, has started to pay dividends. For example, potential residents have contacted us in new markets based upon their positive experiences at other Amica communities across the country. As the Company grows and brands more communities, we expect to reap even greater rewards from our branding strategy.

The Company also continued the evolution and operationalization of the Wellness & Vitality Programs within its various communities. These programs, including the Amica MPOWER Strength & Conditioning Program, form part of the Amica Wellness & Vitality Philosophy, which permeates every facet of our operations, underpins our success and differentiates us from competitors in the industry landscape.


AMICA
Mature Lifestyles
Cindy

> Over time, our goal is to **generate** a **higher level** of income and EBITDA from **management** versus ownership.

FINANCIAL STATEMENTS

This year you will notice a change in the presentation of our Consolidated Statements of Operations. We have implemented a format that reflects the two distinct divisions or sources of income of the Company. "Management Operations" reflects the Company's decision to reduce its financial risk and leverage the Company's management expertise. Over time, our goal is to generate a higher level of income and EBITDA from management versus ownership. "Ownership Operations" account for the income derived through the Company's ownership of its residences. Included in Management Operations is management income derived from the management of residences wholly or partially owned by the Company. In turn, the management fees paid are included in Ownership Operations.

STRATEGY

This past year also saw the Company enter into a partnership under the parameters of our new growth strategy. Amica at Bayview located in Toronto, Ontario, is a 140-suite luxury retirement community that will be designed, marketed and managed by the Company. In the past we have gone from 100% ownership of communities, to 50% and now, in this latest development, to 15%. Our goal is to limit our ownership in all future residences to a maximum of 25%.

Amica has continued with its **positive momentum** – due in large part to the **strength, expertise** and **determination** of our Management Team.

The design, marketing and management fees earned by the Company are the same as would be achieved if the Company had owned 50% or more of the project. By reducing our equity investment, the returns to the Company are greatly enhanced, and our risk greatly reduced. This strategy also reduces the capital-intensive nature of the Company. It will enable us to generate stronger growth without relying on the high levels of capital that we have historically required. This in turn will improve returns on the capital we invest which will thereby improve profitability and cash flow on a year-over-year basis.

FINANCIAL REPORTING

As you are aware, financial reporting issues are topical in today's unsettled environment. You can be rest assured that our financial statements and the notes thereto reflect the results of the past two fiscal years and financial position of the Company. In accordance with Canadian generally accepted accounting principles, the Company has taken the position that it will not expense employee's stock options, but rather disclose by note the effect of stock options on net income, had it done so. We believe that there is currently no model or standard in place that would properly reflect the "cost" of stock options and that this reporting approach provides readers with the appropriate level of disclosure that they require in order to make informed decisions.

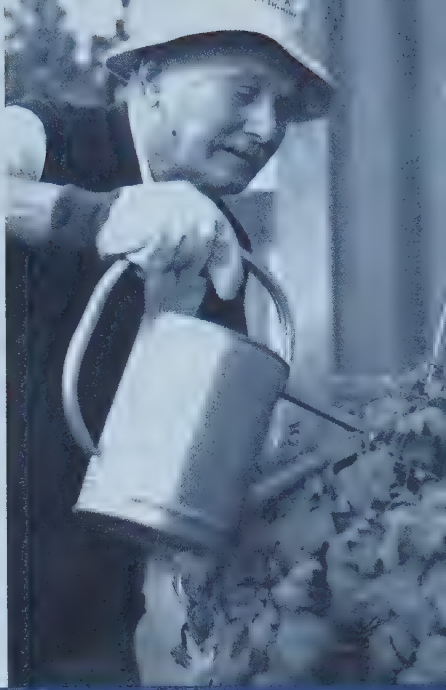
MANAGEMENT

Although many external influences have been in a state of flux this past year, the Company has continued with its positive momentum – due in large part to the strength, expertise and determination of our Management Team. Their dedication and positive leadership has had a ripple affect throughout our Company, and have served to create a cohesive and effective relationship between all of the Company's various functions. We would like to take this opportunity to thank all of our employees for their continued dedication and commitment to the Company and its residents who choose to make an Amica residence their home.

Samir A. Manji
President and Chief Executive Officer

"It is a pleasure to be a participant in such stimulating and fun classes."

The benefits of the **Wellness & Vitality** and **MPOWER Programs** is what makes us feel we made the **right choice** in moving here.



We have found the many **activities** have **benefited** our **mental attitudes** and physical being.

The following discussion and analysis should be read in conjunction with the financial statements of the Company for the years ended May 31, 2002 and 2001 and notes pertaining thereto.

The Company

The Company operates 18 seniors residences (including one under development) in four provinces across Canada. These 18 Amica Wellness & Vitality Residences comprise a total of 1,955 suites including 140 suites under development.

The Company's operations are comprised of two distinct operating segments: management operations and ownership operations.

Under its management operations segment, the Company generally supervises all aspects of operations of the seniors residences on behalf of third party owners and those properties owned by the Company, including marketing, accounting, purchasing, budgeting, design and implementation of resident programs and the hiring, training and supervising of staff. For providing these services, the Company receives a base fee calculated as a percentage of gross revenues of the seniors residences and monthly accounting fees as well as yearly licensing fees. In addition, the Company may receive incentive fees based on the operating performance of the seniors residences. Generally, the owners of the seniors residences fund substantially all capital expenditures and working capital of the seniors residences, including all employment and operating costs in proportion to their ownership. This segment also includes the design and pre-leasing fees as well as marketing bonuses earned during the development and lease-up of newly built seniors residences.

Under its ownership operations segment, the Company owns 100% of 14 seniors residences; owns a 50% interest in three seniors residences; and owns a 15% interest in one seniors residence currently under construction. Income is derived from the operation of these seniors residences.

The Company provides various levels of service and care to its residents. Thirteen of the seniors residences are retirement communities, three of which contain an assisted living floor; four are skilled nursing residences; and one is a seniors independent living apartment complex.

The Company's Vision

The Company's vision is to create value for its residents, partners and shareholders by building on its network of residential communities and leveraging the expertise that it possesses throughout the organization. The Company's goal is to be the premier operator and brand in this new industry by providing environments that recognize and cater to the needs of each individual who calls Amica home.

Overview of 2002

The Company entered the 2002 fiscal year with a number of objectives the most important of which was increasing cash flow from operations. The Company was successful in significantly increasing cash flow from operations to approximately $5 million, an amount never previously achieved. This is a 129% increase over fiscal 2001. Per share cash flow from operations increased to $.14 per share. Other objectives that the Company achieved in fiscal 2002 which contributed to record cash flow were:

- Increase in occupancy, excluding new developments opened since April 1, 2001, to 94.4% vs. 90.9% at the beginning of the fiscal year.
- Completed the lease-up of Amica at Mayfair located in Port Coquitlam, British Columbia and Amica at Swan Lake located in Markham, Ontario.
- Successfully raised 85% of equity for Amica at Bayview located in Toronto, Ontario. The Company has retained a 15% equity interest in this development and has successfully negotiated a long term management contract.
- Further enhancement of the Company's Wellness & Vitality Programs which are the foundation of the Company's operating platform.

The lease-up of Amica at Villa Da Vinci, a new development located in Woodbridge, Ontario, was slower than what had been budgeted. It is anticipated that the marketing strategies in place will facilitate the balance of the lease-up on a timely basis.

Objectives for 2003

The goal of the Company in fiscal 2003 is to build upon the strong financial and operational results generated in 2002. The most important objectives for 2003 are:

- Further increase cash flow from operations.
- Acquisition or initiation of the development of at least three new Amica Wellness & Vitality Residences through joint ventures minimizing the Company's ownership to 25%.
- Further enhancement and implementation of the Company's Wellness & Vitality Programs to increase resident satisfaction and increase occupancy levels.
- Divestiture of assets that do not meet the standards of an Amica Wellness & Vitality Residence.

Balance Sheet Review and Analysis and Liquidity

Balance Sheet Review and Analysis

(All properties are 100% owned unless stated otherwise)

Properties

The book value of income-producing properties increased by $21.2 million as compared to the same period in 2001. Contributing to this increase are: an increase of $20.6 million due to the inclusion of Amica at Mayfair and Amica at Swan Lake (50% owned) as income-producing properties as they reached break even cash flow during the year; renovations totaling $1.3 million at Amica at Rideau Manor located in Burnaby, British Columbia; $1.1 million net increase in furniture, fixtures and equipment additions; and offset by depreciation of $1.8 million.

Properties under development decreased $19.0 million to $19.8 million. The major reason for the decrease was the transfer of Amica at Mayfair and Amica at Swan Lake to income-producing properties totaling $20.6 million. The Company also disposed of its interest in vacant land in Etobicoke, Ontario (see "Loss on Disposal of Land" on page 17) which was deemed unsuitable for development under the Company's criteria having a book value of $1.1 million. As well, the Company incurred a further $8.2 million in additions to Amica at Erin Mills located in Mississauga, Ontario and Amica at Villa Da Vinci. The Company has a 50% joint venture interest in both Amica at Erin Mills and Amica at Villa Da Vinci. Included in the $8.2 million was $1.0 million in capitalization of start-up operating losses which are capitalized until break even cash flow is achieved, which is anticipated to be fiscal year 2003 for Amica at Erin Mills and fiscal year 2004 for Amica at Villa Da Vinci. $5.5 million included in properties under development was transferred to properties held for sale reflecting the cost of developing the condominium component of Amica at Erin Mills. Included in properties under development is $1.4 million in capitalized interest for the year (2001 - $1.6 million).

During the year investment in co-tenancy properties increased to $0.8 million representing the Company's 15% interest in Amica at Bayview.

Properties held for sale decreased by $1.6 million. The Company's policy is to transfer the cost of condominiums held for sale to properties held for sale once construction has been completed. $5.5 million was the cost of completing the condominiums at Amica at Erin Mills. These condominiums were all sold during the year. As well, 12 Amica at Mayfair condominiums were also sold. Six of the Amica at Mayfair condominiums totaling a cost of $0.4 million were retained by the Company as rental suites and included in income-producing properties increasing the potential level of income at this residence.

Deferred Financing Costs and Other Assets

Deferred financing costs decreased $0.5 million to $1.8 million due to amortization expense of $0.5 million. The balance of deferred financing costs will be amortized over the remaining term of the associated debt financing, for which the costs were incurred.

Other assets include several items of which there were three significant changes: increase in prepaids of $0.3 million; decrease in deposits on future developments of $0.3 million; and decrease in amounts receivable of $0.3 million. There was also a net decrease of $0.3 million relating to various sundry items. The increase in prepaids was mainly due to prepaid maintenance and advertising contracts. Deposits on future developments represent a deposit on a planned seniors residence in West Vancouver, British Columbia which is currently in the

rezoning stage of development. If successful, the Company intends on retaining a maximum 25% interest in this project. The $0.7 million balance in the prior year related to Amica at Bayview which is now under construction and has been transformed to investment in co-tenancy properties. Amounts receivable decreased $0.3 million mainly due to recovery of GST on properties under development.

Mortgages Payable

Mortgages payable increased a net $2.4 million. The increase includes additions of $9.0 million in mortgages, offset by repayments of $6.1 million and the assumption of a $0.5 million mortgage by the purchaser of the land that was sold. The increase in mortgages payable of $9.0 million relates to the completion of construction of Amica at Erin Mills and Amica at Villa Da Vinci. The repayment of $6.1 million in mortgages payable is comprised of three items: repayment of $3.8 million from the proceeds from the sale of Amica at Erin Mills condominiums; repayment of $0.4 million from the proceeds from the sale of Amica at Mayfair condominiums; and $1.9 million in principal reductions realized from monthly mortgage payments. During the year the Company extended the term of the mortgage on Amica at Mayfair Manor, located in Port Coquitlam, British Columbia, to May 2003.

Subsequent to the May 31, 2002 year end the Company successfully replaced the construction financing on Amica at Swan Lake with a five year conventional mortgage. The construction loan on this seniors residence of $13.0 million was replaced with a mortgage in the principal amount of $14.8 million at an interest rate of 6.65% resulting in a return of equity to the Company and its 50% joint venture partner, of $1.6 million. The Company's 50% portion of the mortgage is $7.4 million. In addition, subsequent to year end, the Company converted its $6.5 million mortgage on Amica at Mayfair with a floating rate of prime plus 0.5% interest to a five year fixed rate mortgage at an interest rate of 5.0%, and its $6.0 million mortgage on Amica at Terrace Gardens located in Calgary, Alberta which floated at prime, to a five year fixed rate mortgage at an interest rate of 4.87%.

As at May 31, 2002 the weighted average interest rate on mortgages payable was approximately 6.51% compared to 7.11% as at the same date in 2001. The decrease of 0.6% is primarily due to the decrease in the prime rate of interest and its impact on mortgages floating at prime plus rates.

Seventy-one per cent of the Company's mortgage indebtedness at May 31, 2002 is fixed term debt at varying rates of interest. All mortgages are registered against the real properties owned by the Company, with varying maturity dates in order to lower the Company's exposure to interest rate fluctuations and to minimize risk.

Convertible Debentures

In June 1999 the Company issued a $15.1 million principal amount of 8.25% convertible unsecured subordinated debentures due May 31, 2006. Each debenture is convertible into common shares at the option of the holder at any time prior to the last business day immediately preceding the date fixed for redemption, at a conversion price of $1.95 per share being approximately 513 common shares per $1,000 principal amount of debentures. The principal obligation of the debentures is allocated between debt and equity. The equity portion of the debentures included in shareholder's equity, represents the value ascribed to both the holder's option to convert the principal balance into common shares, and the present value of the scheduled cash payments of interest due under the terms of the debentures discounted at the estimated rate of interest determined at the date of issue that would be applicable to a debt-only instrument of comparable term and risk. The liability component, which represents the principal obligation on the debentures, is calculated as the difference between the $15.1 million principal obligation on the debentures and the equity component, and is being accreted to the maturity value through periodic charges to interest expense.

As at May 31, 2002 the Company included in liabilities the debt portion of the convertible debentures of $9.4 million ($8.2 million in 2001), and included in shareholders equity is the equity portion of the convertible debentures of $5.9 million ($6.6 million in 2001).

Accounts Payable – Properties Under Development

Accounts payable - properties under development decreased $4.8 million to $0.5 million which relates to the Goods and Services Tax payable on Amica at Erin Mills and Amica at Villa Da Vinci.

Accounts Payable and Accrued Liabilities – Operating Activities
Accounts payable and accrued liabilities - operating activities increased $1.5 million primarily due to the inclusion of accounts payable and accrued liabilities relating to Amica at Erin Mills and Amica at Villa Da Vinci (total of $0.7 million) which became operational during fiscal year 2002. The remaining $0.8 million increase represents an increase in accounts payable.

Future Income Taxes
Future income taxes decreased $2.6 million to $4.4 million. The Company follows the asset and liability method of accounting for income taxes, and the future income tax liability of $4.4 million is mainly comprised of the tax effect of the temporary difference between the net book value and the undepreciated capital cost of income-producing properties and properties under development. The $2.6 million decrease is comprised of two significant items: a decrease of $1.3 million relating to changes in the income tax rates; and the tax effect ($1.0 million) of the increase in the tax cost of land under income-producing properties after the amalgamation of Amica Mature Lifestyles Inc. and a subsidiary company.

Liquidity

Cash Reserves and Cash from Operations
The Company's cash balance at the end of the 2002 fiscal year was $4.2 million. The Company generated $8.0 million from cash flow from operations and operating activities. A net $1.7 million was generated from financing activities. $7.6 million was spent on expenditures on properties under development and reduction in construction accounts payables. A further $2.0 million in costs was incurred on income-producing properties.

Cash flow from operations before changes in non-cash operating working capital increased by $2.8 million to $5.0 million. Both basic and fully diluted cash flow per share increased by $.08 per share to $.14 per share. Cash flow from operations in the fiscal year 2003 is expected to exceed cash flow from operations in fiscal year 2002.

The following chart documents the Company's annual repayments of principal on mortgage and loans payable as at May 31, 2002:

	(millions)
2003	$33.0
2004	4.0
2005	15.7
2006	1.7
2007	1.9
Thereafter	65.0
Total	**$121.3**

Of the $33.0 million that is due in fiscal year 2003: $19.0 million of mortgages relating to Amica at Swan Lake, Amica at Mayfair and Amica at Terrace Gardens, was refinanced subsequent to the year end for five years as noted previously; two mortgages on the Amica at Douglas House campus, located in Victoria, British Columbia, totaling $9.0 million are due December 2002 and the Company does not anticipate problems in refinancing; $7.1 million relates to Amica at Erin Mills and the Company expects to refinance this seniors residence in the fourth quarter of fiscal year 2003 at an amount exceeding the current mortgage balance; and $6.0 million relates to Amica at Villa Da Vinci. Amica at Villa Da Vinci has not yet met budgeted earnings projections and in July 2002 the mortgagee required Amica and its 50% joint venture partner to each pay down the mortgage by $0.5 million. It is anticipated that this seniors residence will be refinanced in fiscal year 2004. The current mortgage is payable on demand, and the mortgagee may require the joint venture partners to make further principal payments in the fiscal year 2003.

Capital Spending
The Company generally utilizes cash flow from operations, cash reserves and proceeds from leveraging the appreciation in the value of its seniors residences through secured mortgages and loans to fund capital and operating requirements.

In fiscal 2003 it is anticipated that the Company will use its cash flow from operations and cash reserves to (i) make capital investments in new projects which will result in long-term management contracts, (ii) fund its share of operating requirements where the Company is a joint venture partner or holds an equity interest where the operating cash flow from these seniors residences is insufficient to fund these requirements, (iii) make capital investments in wholly owned seniors residences to increase occupancy levels and enhance earnings and (iv) make interest and principal payments on mortgages and debentures.

The Company is currently in negotiations on commencing development of three projects. Amica at West Vancouver, Amica at City Centre located in Mississauga, Ontario and construction of condominium suites adjacent to Amica at Bayview. It is anticipated that the Company's interest in each of these projects will not exceed 25%.

Operational Review and Analysis

Overview

The Company operates in two distinct operating segments: management operations and ownership operations. Under its management operations segment, the Company generally supervises all aspects of operations of the seniors residences on behalf of the owners (including the Company), including marketing, accounting, purchasing, budgeting, design and implementation of resident programs and the hiring, training and supervising of staff. For providing these services, the Company receives a base fee calculated as a percentage of gross revenues of the seniors residences and monthly accounting fees and yearly licencing fees. In addition, the Company may receive incentive fees based on the operating performance of the seniors residences. Generally, the owners of the seniors residences fund substantially all capital expenditures and working capital of the seniors residences, including all employment and operating costs. This segment also includes the design, pre-leasing fees and marketing bonuses earned during the development and lease-up of new seniors residences.

Under its ownership operations segment, the Company owns 100% of 14 seniors residences; owns a 50% interest in three seniors residences; and owns a 15% interest in one seniors residence currently under construction. Income is derived from the operation of these seniors residences.

Management Operations

Comparing results of fiscal 2002 with fiscal 2001 reflects that fee revenues increased $0.5 million to $2.0 million and general and administrative expenses decreased $0.9 million to $3.1 million resulting in a decrease of $1.4 million in the loss from management operations to $1.1 million.

The $0.5 million increase in fee revenues is primarily due to two major factors: the inclusion of $0.2 million in management fees from the Amica at Douglas House complex and $0.2 million resulting from management fees earned from Amica at Swan Lake, Amica at Villa Da Vinci and Amica at Erin Mills which opened in April, July and October of 2001 respectively.

The $1.1 million decrease in general and administrative expenses is primarily attributable to decreases in various expenses in all departments as a result of the management initiative started in the fourth quarter of fiscal 2001 to reduce overhead expenses.

Ownership Operations

Revenues

Residential operating revenues increased $2.2 million (6%) to $40.0 million and condominium unit sales increased $3.6 million to $7.0 million. The $2.2 million increase in residential operating revenues is due to a combination of factors: a $0.5 million net increase in revenues from the inclusion of revenue from two new seniors residences, Amica at Mayfair and Amica at Swan Lake, which are now included in operations as they achieved break even cash flow during the year; the inclusion of Amica at Mayfair Manor in operations for a full year (included in operations in fiscal 2001 for four months as it achieved break even cash flow in February 2001); offset by the reduction in revenue as a result of the sale of four non-core seniors residences in fiscal 2001; and a $1.7 million increase in revenues from seniors residences that operated in both 2002 and 2001. Four seniors residences were

identified in 2001 as having higher than anticipated vacancies and/or under market rents. The revenues from these four residences increased $1.3 million (14%). Included in these four residences is Amica at Rideau Manor which was renovated during the year at a cost of $1.3 million.

During the year the Company successfully sold all 67 condominium units at Amica at Erin Mills for $11.3 million with the Company's 50% share being $5.7 million. Twelve condominium units were sold at Amica at Mayfair for $1.3 million. Six studio condominium units were converted to rental retirement suites as management concluded, because of size, that there was greater economic benefit to operating these suites as rental suites versus selling them. These units are included in income-producing properties and will generate a greater return to the Company than if they had been sold.

Expenses
Residential operating expenses increased $2.2 million (9%) to $26.0 million for the year ended May 31, 2002. The increase in residential operating expenses is mainly due to a $0.6 million (3%) increase in expenses at residences that were fully operational in both 2002 and 2001 and a net increase of $1.6 million due to the inclusion in operations of Amica at Swan Lake, Amica at Mayfair and Amica at Mayfair Manor (for a full year), and the sale of the four non-core residences in fiscal 2001.

Cost of sales condominium units increased $3.4 million to $6.7 million reflecting a gross margin realized of 3.0%.

Fees to management operations increased $0.4 million due to the inclusion of the Amica at Douglas House campus ($0.2 million) and the increase in management fees at Amica at Swan Lake, Amica at Villa Da Vinci and Amica at Erin Mills ($0.2 million) as previously noted.

Ownership Earnings
As a result of the changes in ownership revenues and expenses, ownership earnings decreased $0.2 million. The margin on residential operating revenues decreased from 37.2% in fiscal 2001 to 35.1% this year. The major reason for this decrease in margin is the sale of the four non-core residences in fiscal 2001. The margin on residences that operated in both 2002 and 2001 increased to 36.8% from 35.5%.

Other Items

Interest Expense
Interest expense decreased $1.1 million due to two significant items: a net decrease of $0.6 million due to the inclusion in operations of Amica at Swan Lake, Amica at Mayfair and Amica at Mayfair Manor (for a full year) offset by the interest savings from the sale of the four non-core residences in fiscal 2001; and a $0.4 million decrease in corporate interest expense due to the repayment in fiscal 2001 of the remaining balance on the HSBC Capital (Canada) Inc. acquisition loan. There was a $0.1 million decrease in interest expense on residences that operated in both 2002 and 2001.

Loss on Disposal of Land
In fiscal 2001, the Company had a 50% joint venture interest in land located in Etobicoke, Ontario which was held as a potential site for development of a seniors residence. Further studies indicated that the economics in developing a residence that would meet the physical and operational standards of an Amica Wellness & Vitality Residence in that location were not viable. The joint venture sold the land in May 2002 and the Company's proportionate share of the loss was $0.2 million.

Income taxes
Current income tax expense decreased $0.4 million mainly as a result of an over provision for income taxes in fiscal 2001 and an under provision for income taxes in fiscal 2000. The actual tax liability for fiscal 2002 was $0.2 million.

Future income taxes decreased $2.8 million due to a recovery of $2.4 million as noted in the section "Balance Sheet Review and Analysis".

Imputed Interest on Convertible Debentures, Net of Income Taxes

Net imputed interest expense increased $0.5 million to $0.6 million as income taxes are not recoverable on this expense as the Company currently is in a tax loss position due to claiming maximum capital cost allowance.

Operating Risks

The business of the Corporation is subject to many risks and uncertainties some of which are included below.

Seniors' Housing Industry

The Company is subject to risks including general and local economic conditions, and competition from other owners, developers and operators, which may impact the supply and demand for seniors' housing accommodations and the ability of the Company to secure management contracts. In addition, the potential for reduced revenue growth exists in the event that the Company is unable to maintain its managed properties at a level that meets the expectations of its residents. The Company manages these risks by:

- Ensuring high quality of services to residents and maintaining the Company's physical standards. The Company is proactive in its establishment of high standards of service and accommodations for its residents.
- Portfolio diversification and expansion with properties located in different regions in centres which demographically support their viability.
- Investing in properties in desirable locations within markets that are traditionally strong draws for seniors.
- Focus on investing no greater than 25% in new joint ventures thus minimizing capital at risk.
- The development and implementation of creative marketing methodologies in order to attract new residents to Amica Wellness & Vitality Residences.

Interest Rate Risk

Interest rate volatility in the marketplace cannot be predicted with certainty. The Company holds large amounts of fixed rate mortgage debt with staggered maturity dates which lowers the exposure to interest rate fluctuations. However, there can be no assurance that as debt matures, renewal interest rates will not significantly impact future net income and cash flow.

Labour Issues

At May 31, 2002 the Company employed approximately 900 employees at its residences. Approximately 67% of the Company's employees were represented by four major labour unions. Labour relations with these unions are governed by eleven certifications, which expire at various times, ranging from December 30, 2002 to May 31, 2004. Three union agreements at three residences have expired and negotiations are in progress. The union agreements at two residences expire in the 2003 fiscal year. Subsequent to the 2002 year end, the Company experienced its first ever strike. The employees at Amica at Somerset House located in Victoria, British Columbia, went on strike for 34 days. The impact of this strike did strain management resources, but did not have a material impact on financial results. There can be no assurance that the Company will not experience further job action at other residences including strikes and/or labour stoppages, or any other type of conflict with unions or employees, which could have a material adverse effect on the Company's business, operating results and financial condition. Generally, the Company's employee relations are good and management does not anticipate any events which may significantly impact the day-to-day operations of these properties.

Possible Environmental Liabilities

Under various federal and provincial environmental laws and regulations, a current or previous owner or operator of real property may be held liable for the costs of removal or remediation of certain hazardous or toxic substances, including without limitation, asbestos-containing materials that could be located on, in or under such property. Such laws and regulations often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. The costs of any required remediation or removal of these substances could be substantial and the liability of an owner or operator to any property is generally not limited under such laws and regulations, and could exceed the property's value and the aggregate assets of the owner or operator. The presence of these substances or failure to remediate such substances properly may also adversely affect the owner's ability to sell or rent the property, or to borrow using the property as collateral. In connection with the ownership or operation of its properties, the Company could be liable for these costs, as well as certain other costs, including government fines and injuries to persons or properties. As a result, the presence, with or without the Company's knowledge, of hazardous or toxic substances at any property held or operated by the Company could have an adverse effect on the Company's business, operating results and financial condition.

The Company conducts Phase I environmental assessments and, where indicated, Phase II environmental assessments on each property prior to acquiring it. The results of those assessments have disclosed no material remediation or other expenditure requirements on properties owned by the Company. The assessments did disclose the presence of asbestos at five properties acquired by the Company. The reports concluded that no remedial action would be required unless renovations were undertaken that would disturb the asbestos. The Company has no plans to renovate the properties at present and if any renovations are made they will be conducted in compliance with applicable environmental regulations.

Development Risk

The Company's focus will continue on new developments with joint venture partners, which carries a certain risk that projected financial returns may not be achieved and that cost overruns, or start-up losses may require further equity injections. The Company manages this risk through detailed evaluation of each development separately and ensuring certain criteria have been met, which include: obtaining land zoning, extensive supply and demand analysis, pre-leasing suites, and obtaining financing commitments. The Company attempts to minimize the development risk by entering into joint ventures with experienced developers and attempts to minimize future investments to no greater than 25% of any one property.

Dependence on Attracting Seniors with Sufficient Resources to Pay

The Company currently, and for the foreseeable future, expects to rely primarily on its residents' ability to pay rents and purchase services from their own or familial financial resources. Generally, only seniors with income or assets meeting or exceeding the comparable median in the region where the Company's properties are located can afford the Company's services. Inflation or other circumstances that adversely affect the ability of seniors to pay for the Company's services could have an adverse effect on the Company. If the Company encounters difficulty in attracting seniors with adequate resources to pay for its services, its business, operating results and financial condition could be adversely affected. With the imminent arrival of the 'Baby Boomers', the market for goods and services for seniors will experience significant growth extending over the next 30 years. The demand for quality services and accommodations is expected to rise. The Company intends to not only take advantage of this anticipated demand, but to also position itself as a leading brand name in the luxury senior's housing market, where values and returns are higher and where barriers to entry exist for new competitors.

Critical Accounting Policies

The significant accounting policies used by the Company in preparing its consolidated financial statements are described in note 2 to the consolidated financial statements and should be read to ensure proper understanding and evaluation of the estimates and judgments made by management in preparing those financial statements. The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles and also comply, in all material respects, with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

Auditor's Independence

During fiscal 2002 the Company paid KPMG LLP $92,080 for audit related services (2001 - $75,720) and $40,000 (2001 - $98,904) for non-audit related services. In an effort to ensure the independence of the external auditor the Audit Committee will review any proposal for non-audit services to be provided by the external auditor that might reasonably be expected to compromise the independence of the auditor in discharging its audit related responsibilities.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The consolidated financial statements and the information contained within the Annual Report are the responsibility of the management of the Company. Management's Discussion and Analysis and the consolidated financial statements have been approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles prescribed by The Canadian Institute of Chartered Accountants and the recommendations of the Canadian Institute of Public Real Estate Companies. Financial information contained in the Annual Report is consistent with the information contained in the financial statements.

Management maintains a system of internal controls that provide reasonable assurance that the assets of the Company, its subsidiaries, joint ventures and partnerships are safeguarded. These controls also facilitate the preparation of relevant, timely and reliable financial information that reflects, where necessary, management's best estimates and judgements based on informed knowledge of the facts.

The Company's external auditors, KPMG LLP, have performed an independent audit of the consolidated financial statements.

The Audit Committee of the Board of Directors of the Company has reviewed the consolidated financial statements and Management's Discussion and Analysis with management and the external auditors, KPMG LLP, and recommended their approval by the Board of Directors. The auditors have full access to the Audit Committee, with and without management being present.

Samir A. Manji, CA
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Vancouver, Canada – July 26, 2002

Renzo P. Barazzuol, CA
CHIEF FINANCIAL OFFICER

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Amica Mature Lifestyles Inc. as at May 31, 2002 and 2001 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS
Vancouver, Canada – July 26, 2002

May 31, 2002 and 2001	2002	2001
(Expressed in thousands of dollars)		
ASSETS		
Properties:		
Income-producing (note 4)	$ 143,126	$ 121,935
Properties under development (note 5)	19,831	38,858
Investment in co-tenancy properties	843	–
Properties held for sale	–	1,619
	163,800	162,412
Cash and cash equivalents	4,171	4,178
Deferred financing costs, net of accumulated amortization of $1,760 (2001 – $1,235)	1,760	2,283
Other assets (note 6)	2,577	3,159
	$ 172,308	$ 172,032
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgages payable (note 7)	$ 121,250	$ 118,845
Convertible debentures (note 8)	9,371	8,248
Accounts payable – properties under development	457	5,275
Accounts payable and accrued liabilities – operating activities	4,912	3,462
Accrued interest payable	596	613
Security deposits	840	545
Future income taxes (note 11)	4,424	7,024
	141,850	144,012
Shareholders' equity:		
Share capital (note 9)	24,468	24,339
Equity portion of convertible debentures (note 8)	5,908	6,640
Retained earnings (deficit)	82	(2,959)
	30,458	28,020
	$ 172,308	$ 172,032

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Franklin C. M. Lew, B.Comm., LLB
DIRECTOR

Leonard Barkin, FCA
DIRECTOR

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Years ended May 31, 2002 and 2001	2002	2001
(Expressed in thousands of dollars, except per share amounts)		
Consolidated revenues	$ 47,177	$ 41,343
Management operations:		
Revenues	$ 2,002	$ 1,536
General and administrative expenses	(3,097)	(4,082)
	(1,095)	(2,546)
Ownership operations:		
Residential operating revenues	39,978	37,780
Condominium unit sales	6,948	3,368
Expenses:		
Residential operating	(25,931)	(23,716)
Cost of sales – condominium units	(6,735)	(3,303)
Capital taxes	(223)	(310)
Fees to management operations	(1,751)	(1,341)
	12,286	12,478
Earnings before other operating items	11,191	9,932
Depreciation and amortization	(1,870)	(1,714)
Earnings from operations before interest, income taxes, and others	9,321	8,218
Interest expense	(8,029)	(9,079)
Earnings (loss) before income taxes and others	1,292	(861)
Interest income	286	198
Loss on disposal of land	(245)	–
Gain on sale of income-producing properties	–	3,081
Write-down of income-producing property	–	(630)
Earnings before income taxes	1,333	1,788
Income taxes (note 11):		
Current expense	24	391
Future expense (recovery)	(2,356)	398
	(2,332)	789
Net earnings	3,665	999
Imputed interest on convertible debentures, net of income taxes	(624)	(119)
Net earnings attributable to common shareholders	3,041	880
Deficit, beginning of year	(2,959)	(3,817)
Premium on purchase and cancellation of common shares (note 9(b))	–	(22)
Retained earnings (deficit), end of year	$ 82	$ (2,959)
Earnings per share (notes 2(j) and 10):		
Basic and diluted	$ 0.09	$ 0.03

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31, 2002 and 2001	2002	2001
(Expressed in thousands of dollars, except per share amounts)		
Cash provided by (used in):		
Operations:		
Net earnings	$ 3,665	$ 999
Items not involving cash:		
Stock-based compensation	88	–
Depreciation and amortization	1,870	1,714
Amortization of deferred financing costs	366	580
Amortization of deemed debt discount on convertible debentures (note 8)	1,123	942
Loss on disposal of land	245	–
Future income taxes	(2,356)	398
Gain on sale of income-producing properties	–	(3,081)
Write-down of income-producing property	–	630
Cash flow from operations before changes in non-cash operating working capital	$ 5,001	$ 2,182
Per share (note 2(j)):		
Basic and diluted	$ 0.14	$ 0.06
Operations:		
Cash flow from operations before changes in non-cash operating working capital	$ 5,001	$ 2,182
Recovery of costs on condominium units held for sale	6,735	3,303
Development costs of condominium units held for sale	(5,492)	(4,922)
Other changes in non-cash operating working capital (note 14)	1,727	1,099
	7,971	1,662
Investments:		
Proceeds on sale of land	500	–
Increase in investment in co-tenancy properties	(843)	–
Expenditures on income-producing properties	(1,991)	(2,186)
Expenditures on properties under development	(2,817)	(18,198)
Increase (decrease) in accounts payable – properties under development	(4,818)	2,833
Increase (decrease) in security deposits	295	(92)
Proceeds on sale of income-producing properties	–	11,559
	(9,674)	(6,084)
Financing:		
Interest payments on convertible debentures	(1,249)	(1,249)
Proceeds from mortgages payable	8,970	25,441
Principal repayments on mortgages payable	(6,064)	(16,159)
Issuance of common shares for cash, net of costs	41	-
Increase in deferred financing costs	(2)	(162)
Repurchase of common shares	–	(59)
	1,696	7,812
Increase (decrease) in cash and cash equivalents	(7)	3,390
Cash and cash equivalents, beginning of year	4,178	788
Cash and cash equivalents, end of year	$ 4,171	$ 4,178

Supplementary information (note 14). See accompanying notes to consolidated financial statements.

Years ended May 31, 2002 and 2001

1. OPERATIONS:

The Company was incorporated on November 5, 1996 under the Business Corporations Act (Alberta) and on December 7, 1998 was continued under the Canada Business Corporations Act. At May 31, 2002, the Company has interests in 15 income-producing properties and 3 properties under development.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and also comply, in all material respects, with the recommendations of the Canadian Institute of Public and Private Real Estate Companies. The significant accounting policies are:

(a) Principles of consolidation:

The consolidated financial statements include:

(i) the accounts of the Company and its subsidiaries; and

(ii) the accounts of joint ventures to the extent of the Company's proportionate interest in each of the joint venture's respective assets, liabilities, revenues and expenses (note 3).

All material intercompany balances and transactions have been eliminated.

(b) Income-producing properties:

Income-producing properties are recorded at cost, including predecessor cost on certain acquisitions made through related party transactions. Depreciation on buildings and improvements is provided using the sinking fund method under which an increasing amount, consisting of a fixed annual sum together with interest compounded at a rate of 5% per annum, is charged to income over their estimated useful lives of 40 years. Depreciation is provided on the declining balance basis on furniture, fixtures and equipment at rates ranging from 10% to 50% per annum.

The carrying values of income-producing properties are reviewed periodically for possible impairment based on the future undiscounted net cash flows of the properties. If it is determined that the estimated net recoverable amount is less than the carrying value, a write-down to the estimated net recoverable amount is made by a charge against earnings.

(c) Properties under development:

Properties under development are carried at the lower of costs incurred and estimated net recoverable amount. The Company capitalizes attributable costs to properties under development including direct carrying costs, such as specific interest, property taxes, applicable overhead costs, and interest on that portion of total development costs financed by the Company's pooled debt. Capitalized costs are net of rental income received during development. Costs are capitalized until the earlier of attaining break-even cash flow after direct debt servicing or the expiration of a reasonable period of time following substantial completion.

(d) Revenue recognition:

The consolidated revenues include fees earned from income-producing properties that the Company manages as well as revenues generated by its consolidated properties.

Revenues earned from management operations include base fees equal to a percentage of the gross operating revenues of the managed properties and incentive fees based on certain operating results of the managed properties. Fees from management operations are recognized as revenue when the services have been rendered in accordance with the terms of each individual contract, the fees are non-refundable, the amount of the fees is fixed or determinable, and there is reasonable assurance that the fees are collectible. Incentive fees are accrued as earned based on the profitability of the managed property, subject to the terms of each individual contract.

Revenues generated by the operation or sale of consolidated properties are recognized at the time of the rendering of services at the properties or sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(e) Cash equivalents:

The Company considers all highly liquid investments with original terms to maturity of three months or less when acquired to be cash equivalents.

(f) Financings:

Deferred financing costs are amortized on a straight-line basis over the term of the related debt. Amortization of $366,000 (2001 – $580,000) is classified in interest expense.

When the Company has entered into compound instruments having both debt and equity components, the proceeds received are allocated and classified by the nature of the right and obligation created.

With respect to the convertible debentures (note 8), the equity portion represents the value ascribed to both the holder's option to convert the principal balance into common shares and the present value of the scheduled payments of interest due under the terms of the debentures discounted at the estimated rate of interest determined at the date of issue that would be applicable to a debt only instrument of comparable term and risk. Imputed interest on the convertible debentures is charged to retained earnings (deficit), net of income tax benefits. The difference between actual interest payments and the imputed interest is treated as a reduction of the equity component of the debentures.

The liability component of the convertible debentures, which represents the principal obligation on the debentures, is calculated as the difference between the face amount issued and the equity component and is being accreted to the maturity value through periodic charges to interest expense. The accretion is calculated by the effective yield method.

(g) Employee future benefits:

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn the benefits.

(h) Future income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantial enactment. To the extent that it is not considered to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant areas requiring the use of management's judgment relates to the estimated future cash flows and useful lives of income-producing properties which impacts the periodic charge against income.

(j) Per share:

Basic per share amounts have been calculated by dividing net earnings attributable to common shareholders by the weighted average number of shares outstanding.

The Company follows the treasury stock method for determining the dilutive effect of options issued. Under the treasury stock method, the cash to be received from the exercise of outstanding dilutive options is deemed to be applied to the repurchase of common shares at the average market price for the period. The basic and diluted weighted average numbers of shares outstanding are set out in note 10.

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(j) Per share (continued):

Per share amounts presented in the consolidated statements of cash flows are calculated as cash flow from operations before changes in non-cash operating working capital divided by the weighted average number of shares outstanding.

(k) Stock-based compensation:

Effective June 1, 2001, the Company adopted the new Recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for stock-based compensation and other stock-based payments. The new Recommendations require that stock-based compensation issued by the Company on or after June 1, 2001 be measured at fair value. All stock-based payments to non-employees, and awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments are required to be recognized by a charge against earnings. The Company has no outstanding awards with these features at June 1, 2001 or May 31, 2002. Other stock-based payments to employees can be recognized in the measurement of earnings or an entity can elect to apply an alternative method.

The Company has elected to continue to account for employee stock option grants by the settlement method under which no compensation cost is recorded on grant. Consideration paid by employees on the exercise of stock options is credited to share capital. The Company's accounting policy for contributions under the employee share purchase plan is described in note 9(d).

(l) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

3. JOINT VENTURE ACTIVITIES:

The following amounts are included in the consolidated financial statements and represent the Company's 50% proportionate share of assets, liabilities, revenues and expenses, and cash flows of joint ventures in which the Company had an interest at the year end:

	2002	2001
	(thousands)	
Assets		
Income-producing properties	$ 9,361	$ –
Properties under development	18,898	27,231
Cash and other assets	2,845	512
	$ 31,104	$ 27,743
Liabilities and Venturer's Equity		
Mortgages payable	$ 22,028	$ 14,892
Accounts payable and other liabilities	1,291	5,515
	23,319	20,407
Venturer's equity	7,785	7,336
	$ 31,104	$ 27,743

3. JOINT VENTURE ACTIVITIES (continued):

	2002	2001
	(thousands)	
Revenues	$ 7,219	$ –
Expenses	(6,802)	–
	$ 417	$ –

	2002	2001
	(thousands)	
Cash flows resulting from:		
Operations	$ 1,449	$ –
Investments	(6,340)	(15,765)
Financing	5,756	14,981
	$ 865	$ (784)

As a co-venturer, the Company has provided certain guarantees, not exceeding its proportionate interest, for mortgages payable of the joint ventures. All assets of the joint ventures are available to settle any indebtedness of the joint ventures.

4. INCOME-PRODUCING PROPERTIES:

	2002	2001
	(thousands)	
Land	$ 26,457	$ 24,150
Building and improvements	115,105	97,354
Furniture, fixtures and equipment	7,530	4,625
	149,092	126,129
Accumulated depreciation	(5,966)	(4,194)
	$ 143,126	$ 121,935

5. PROPERTIES UNDER DEVELOPMENT:

During the year, the Company capitalized to properties under development the following amounts:

	2002	2001
	(thousands)	
Interest	$ 1,420	$ 1,582
Property taxes	163	82
Net rental loss (before interest)	434	228

6. OTHER ASSETS:

	2002	2001
	(thousands)	
Mortgage receivable	$ 905	$ 905
Prepaids	672	374
Deposits on future developments	391	680
Amounts receivable	492	789
Other	117	411
	$ 2,577	$ 3,159

7. MORTGAGES PAYABLE:

	2002	2001
	(thousands)	
First mortgages payable bearing interest at fixed rates having a weighted average of 7.22% per annum, repayable in blended monthly principal and interest payments aggregating $619, maturing to May 5, 2012	$ 81,339	$ 86,174
First mortgages payable bearing interest at prime plus 0.75% per annum, interest payable monthly, principal repayable on demand	19,560	14,392
First mortgage payable bearing interest at prime plus 0.5% per annum, interest payable monthly maturing August 31, 2007	6,535	6,969
First mortgage bearing interest at prime plus 1.25% per annum, repayable in blended monthly principal and interest payments of $23, maturing May 1, 2003	2,663	–
Second mortgages payable bearing interest at fixed rates having a weighted average of 8.01% per annum, repayable in blended monthly principal and interest payments aggregating $47, maturing to July 1, 2003	5,133	5,290
Second mortgage payable bearing interest at prime per annum, interest payable monthly, maturing April 7, 2008	6,020	6,020
	$ 121,250	$ 118,845

Mortgages payable are secured by fixed and floating charges over substantially all of the assets of the Company.

Annual repayments of principal on the mortgages payable in each of the fiscal years ending May 31 and in aggregate thereafter are as follows (thousands):

2003	$ 32,956
2004	4,012
2005	15,657
2006	1,704
2007	1,833
Thereafter	65,088
	$ 121,250

8. CONVERTIBLE DEBENTURES:

The Company has issued 15,139, 8.25% convertible unsecured subordinated debentures having a face value of $15,139,000 which mature on May 31, 2006. The debentures are convertible into common shares at the option of the holder at any time prior to the last business day immediately preceding the date fixed for redemption, at a conversion price of $1.95 per share subject to adjustment in certain events. Provided the Company is not in default under the debenture indenture, and subject to regulatory approval, the Company has the option to satisfy its obligation to make interest payments by delivering common shares to the trustee, who will sell such common shares and remit the cash proceeds to debenture holders in satisfaction of the Company's interest obligation. To May 31, 2002, all interest obligations on the convertible debentures have been settled by cash payments.

In November 2001, the Company commenced a normal course issuer bid allowing for the purchase of up to 1,186 debentures. To May 31, 2002, the Company did not repurchase any debentures under the bid.

9. SHARE CAPITAL:

(a) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

(b) Issued common shares:

	Number of shares	Assigned value
		(thousands)
Balance, May 31, 2000	34,505,400	$ 24,376
Repurchased for cancellation	(51,100)	(37)
Balance, May 31, 2001	34,454,300	24,339
Options exercised	293,000	41
Stock-based compensation	–	88
Balance, May 31, 2002	34,747,300	$ 24,468

In March 2000, the Company commenced a normal course issuer bid allowing for the purchase of up to 1,736,075 common shares. During the year ended May 31, 2001, the Company purchased 51,100 shares at an average price of $1.12 per share. An amount of $22,000, representing the excess of the consideration paid for the shares repurchased over the carrying value, has been recorded as a charge to retained earnings.

In November 2001, the Company commenced a normal course issuer bid allowing for the purchase of up to 2,109,540 common shares. To May 31, 2002, the Company did not repurchase any shares under the bid.

(c) Share option plan:

The Company has established a share option plan (the "Plan") for directors, officers, employees and consultants of the Company. The aggregate number of common shares reserved for issuance under the Plan is 3,400,000. Pursuant to the Plan, non-transferable options to purchase common shares are granted by the Board of Directors at an exercise price based on the market price of the common shares at the time the option is granted. Options must be exercised within a period of up to five years from the option grant date and vest as determined by the Board of Directors.

The following tables summarize the status of options outstanding under the Plan including 400,000 options issued to a lender in January 2000 by way of private placement of which 200,000 were forfeited during the year ended May 31, 2002.

	2002		2001	
	Share options outstanding	Weighted average price	Share options outstanding	Weighted average price
Beginning of year	2,208,400	$ 1.29	1,691,500	$ 1.39
Granted	1,179,500	1.03	649,800	1.04
Exercised	(293,000)	0.14	–	–
Forfeited	(464,600)	1.36	(132,900)	1.31
End of year	2,630,300	$ 1.29	2,208,400	$ 1.29

Range of exercise prices	Number outstanding and exercisable May 31, 2002	Weighted average life remaining (years)	Weighted average price
$0.56 to $1.40	1,625,300	3.4	$ 0.98
$1.50 to $2.25	1,005,000	2.0	1.80
	2,630,300	2.9	$ 1.29

9. SHARE CAPITAL (continued):

(d) Employee share purchase plan:

The Company's employee share purchase plan (the "Plan") permits employees to purchase common shares through payroll deductions. The Company contributes $0.35 for every $1.00 contributed by an employee ($0.25 for each $1.00 for senior management). Amounts contributed by the Company will be expensed as incurred. The Company has the option of either purchasing common shares in the market or issuing common shares from treasury to fulfill its obligation. 700,000 common shares have been reserved for issuance under the Plan.

(e) Stock-based compensation:

Had the Company determined compensation cost based on the fair value at the grant date for its employee stock options granted on or after June 1, 2001, the Company's net earnings and net earnings per share for the year ended May 31, 2002 would have been reduced to the pro forma amounts indicated below:

	(thousands)
Net earnings, as reported	$ 3,665
Pro forma stock-based compensation expense	(167)
Net earnings, pro forma	$ 3,498
Net earnings per share, pro forma – basic and diluted	$ 0.08

Pro forma stock compensation expense has been calculated by an option-pricing model using the following factors: volatility of 49%, term of 2 years, dividend rate of nil and risk-free interest rate of 3.2%. The average fair value of options granted during the year ended May 31, 2002 was $0.22.

10. EARNINGS PER SHARE:

The table below sets forth the compensation of basic and diluted earnings per share (weighted average shares in thousands).

Options to purchase 108,000 (2001 – 243,000) common shares are dilutive and are included in computing diluted earnings per share. The remaining outstanding options to purchase common shares disclosed in note 9(c) are anti-dilutive and have been excluded from the diluted earnings per share calculation. Converting the 8.25% convertible unsecured subordinated debentures into 7,763,590 common shares or classifying the convertible debenture as a liability was anti-dilutive in both 2002 and 2001.

	2002			2001		
	Earnings (Numerator)	Weighted average shares (Denominator)	Earnings per share	Earnings (Numerator)	Weighted average shares (Denominator)	Earnings per share
Basic EPS:						
Net income attributable to common shareholders	$ 3,041	34,572	$ 0.09	$ 880	34,455	$ 0.03
Effect of dilutive securities:						
Share options	–	108	–	–	243	–
Diluted EPS	$ 3,041	34,680	$ 0.09	$ 880	34,698	$ 0.03

11. INCOME TAXES:

Total income taxes for the years ended May 31, 2002 and 2001 were allocated as follows:

	2002	2001
	(thousands)	
Net earnings	$ (2,332)	$ 789
Shareholders' equity, for issue expenses and other deductible costs related to amounts included in equity	(244)	(503)
	$ (2,576)	$ 286

Income tax expense differs from the amounts computed by applying the combined statutory federal and provincial income tax rate of 41.80% (2001 – 44.10%) to income before income taxes as a result of the following:

	2002	2001
	(thousands)	
Earnings before income taxes	$ 1,333	$ 1,788
Tax expense at combined statutory rate	$ 557	$ 789
Increase (reduction) in income taxes resulting from:		
Federal large corporations tax	24	185
Adjustment to future tax assets and liabilities for changes in tax laws and rates	(1,328)	(86)
Increase in tax basis of land on amalgamation	(1,115)	–
Other	(470)	(99)
	$ (2,332)	$ 789

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at May 31, 2002 and 2001 are presented below:

	2002	2001
	(thousands)	
Future tax assets:		
Non-capital loss carry forwards	$ 2,970	$ 549
Deductible equity costs	153	391
Capital loss carry forwards	95	–
Other	77	96
Total gross future tax assets	3,295	1,036
Future tax liabilities:		
Properties	7,445	7,892
Deferred financing costs	274	168
Total gross future tax liabilities	7,719	8,060
Net future tax liabilities	$ 4,424	$ 7,024

12. FINANCIAL INSTRUMENTS:

(a) Fair values:

For certain of the Company's financial instruments, including cash and cash equivalents, mortgage receivable, amounts receivable, accounts payable and accrued liabilities, the carrying amounts at May 31, 2002 and 2001 approximate their fair value due to their ability for prompt liquidation or short-term to maturity.

12. FINANCIAL INSTRUMENTS (continued):

(a) Fair values (continued):

The fair values of mortgages payable have been estimated by management by discounting the future contractual cash flows under current financing arrangements at discount rates which represent borrowing rates presently available to the Company for loans with similar terms, risks and maturities. Management estimates that at May 31, 2002, the carrying value of mortgages payable is less than their fair market value by approximately $433,000 reflecting the actual interest rates incurred by the Company being greater than equivalent current rates. At May 31, 2001, the Company estimated that the carrying value of mortgages payable exceeded their fair market value by approximately $399,000. At May 31, 2002, the fair value of the convertible debentures, calculated by reference to market prices, was $14,079,000 (2001 – $10,295,000).

(b) Interest rate risk:

The terms of outstanding mortgages payable are disclosed in note 7. For mortgages payable that bear interest at fixed rates, no material interest rate risk currently exists. For mortgages payable that bear interest at variable rates, the Company's interest costs will change to the extent the prime rate changes.

(c) Credit risk:

Residents are required to pay their monthly fees at the beginning of each month. Accordingly, the Company does not face any significant credit risk. Due to the nature of the Company's business, there are no concentrations of credit risk.

13. RELATED PARTY TRANSACTIONS:

During the year ended May 31, 2002, the Company paid $271,000 (2001 – $276,000) in interest to certain directors and officers holding convertible debentures.

14. CASH FLOW INFORMATION:

The change in non-cash operating working capital balance consists of the following:

	2002	2001
	(thousands)	
Decrease (increase) in:		
Amounts receivable	$ 297	$ 818
Prepaids	(298)	–
Deposits on planned acquisitions and development projects	289	(680)
Other assets	294	889
Increase in accounts payable and accrued liabilities	1,145	72
	$ 1,727	$ 1,099
Supplementary information:		
Cash interest paid, excluding amounts capitalized	$ 7,946	$ 8,937
Cash taxes paid	477	563
Non-cash investing and financing activities:		
Transfer from properties under development to income-producing properties	20,599	827
Transfer from properties held for sale to income-producing properties	376	–
Mortgages payable assumed by purchaser on sale of land	500	–
Mortgages payable assumed by purchaser on sale of income-producing property	–	23,669

15. SEGMENT DISCLOSURES:

The Corporation has two operating segments: management operations and ownership operations. Under its management operations segment, the Company generally supervises all aspects of operations of the seniors residences on behalf of the owners (including the Company), including marketing, accounting, purchasing, budgeting, design and implementation of resident programs and the hiring, training and supervising of staff. For providing these services, the Company receives a base fee calculated as a percentage of gross revenues of the seniors residences and monthly accounting fees and yearly licencing fees. In addition, the Company may receive incentive fees based on the operating performance of the seniors residences. Generally, the owners of the seniors residences, fund substantially all capital expenditures and working capital of the seniors residences, including all employment and operating costs. This segment also includes the design, pre-leasing fees and marketing bonuses earned during the development and lease-up of new seniors communities.

Under its ownership operations segment, the Company wholly owns 14 seniors residences, has a 50% interest in three seniors residences (two included in properties under development), and has an equity interest in one seniors residence that is under development. Income is derived from the consolidation of its wholly owned interests and 50% interests in these seniors residences and income from equity interests.

Information with respect to the operations of these two segments is set out in the consolidated statements of operations. Substantially all assets are held by the ownership operations segment.

The Board has the responsibility to direct the management of the business and affairs of the Company and towards that end has defined the responsibilities of the established committees in order to improve corporate governance.

The Board actively oversees the development, adoption and implementation of the Company's strategic planning process. Although there is no specific mandate for the Board, any responsibility not delegated to senior management or a committee of the Board remains the responsibility of the Board. Decisions which require prior approval of the Board include, among other things, approval of the annual capital budget and any material changes to the operating budget, approval of the Company's business plan, acquisition of, or investments in new business, changes in the nature of the Company's business, changes in senior management and all matters as required under the Canadian Business Corporations Act.

A strategic planning process is in place. Management submits to the Board a written strategic plan for the Company which takes into account, among other things, the opportunities and risks of the business for discussion and approval. This plan is updated as required. Proposals to carry through on the strategic plan are reviewed regularly. Once a year, a meeting of the Board is held, in conjunction with a regular Board meeting, to review the issue of strategic planning.

The principal risks of the Company's business are outlined under "Management's Discussion and Analysis". The Board reviews these risks periodically upon the recommendation of the Audit Committee, makes recommendations to management regarding these risks when appropriate, and receives updates from management on the manner by which the risks are being assessed and managed.

On an annual basis, the Board reviews management's performance for the previous year. Management of Amica feels that individuals are currently employed who possess the required skills and abilities to support, in detail, the broad responsibilities of management.

The Audit Committee monitors the integrity of the Company's internal control and management information systems. The Audit Committee meets with the Chief Financial Officer and the auditors as required to discuss and review such matters and report to the Board.

The Board consists of seven members, six of whom are unrelated directors. An unrelated director, "is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director." An inside director is an employee of the Company or of a subsidiary. The Company does not have a "significant shareholder", which is defined by the Corporate Governance Guidelines as a "shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors."

The Board is composed of a majority of unrelated directors. Messrs. Andrew Oppenheim, Saleem Hadi, Franklin Lew, Leonard Barkin, James Penturn and Benjamin Swirsky are unrelated directors.

The full Board is responsible for identifying new nominees to the Board and assessing the performance of directors on an ongoing basis.

The Company provides an orientation and education program for new recruits to the Board. New nominees meet with senior management on key business, financial and operational issues.

The Board has reviewed the size of the Board and its composition and is of the view that a Board of seven directors facilitates effective decision-making at this point in the Company's development.

Senior management and the Compensation Committee review the amount and form of the compensation of independent directors and senior management annually.

The Audit Committee is composed of three unrelated directors. The Compensation Committee is composed of two unrelated directors.

The Corporate Governance Committee is composed of two unrelated directors and is responsible to the Board for monitoring the development of the Company's approach to governance issues and the Company's response to the TSX Corporate Governance Guidelines.

The Board of Directors has not developed position descriptions for the Board and for the CEO. However, the Board has developed limits to management's monetary authority in transactions. The Board approves the corporate objectives which the CEO is responsible for implementing in a manner which is consistent with the Company's strategic plan.

The Board of Directors has appropriate structures and procedures in place to ensure that the Board can function independently of management. The procedure is for the unrelated directors to communicate and meet regularly independently of management.

The Audit Committee is composed only of unrelated directors. The Board is satisfied that the terms of reference of the Audit Committee are specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties. The Audit Committee has direct communication channels with the CEO, senior management and external auditors to discuss and review specific issues as appropriate. The Audit Committee duties include monitoring the integrity of the Company's internal control and management information systems through direct communication channels with the external auditors to discuss and review specific issues as appropriate.

The Board of Directors is committed to an effective communications policy for the benefit of all stakeholders and ensures the timely and continuous disclosure of material and financial information.

Any member of the Board may, at the expense of the Company engage an outside advisor.

Amica Residences

Amica at Arbutus Manor Vancouver, British Columbia
Amica at The Balmoral Club Toronto, Ontario
Amica at Bayview* Toronto, Ontario
Amica at Bearbrook Court Gloucester, Ontario
Amica at Beechwood Village Sidney, British Columbia
Amica at Canada Way Care Centre Burnaby, British Columbia
Amica at Canada Way Lodge Burnaby, British Columbia
Amica at Douglas House Victoria, British Columbia
Amica at Douglas House Lodge Victoria, British Columbia
Amica at Erin Mills Mississauga, Ontario
Amica at Le Strathmore Dorval, Québec
Amica at Mayfair Port Coquitlam, British Columbia
Amica at Mayfair Manor Port Coquitlam, British Columbia
Amica at Rideau Manor Burnaby, British Columbia
Amica at Somerset House Victoria, British Columbia
Amica at Swan Lake Markham, Ontario
Amica at Terrace Gardens on Sixth Calgary, Alberta
Amica at Villa Da Vinci Woodbridge, Ontario

** Under development*

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Saleem M. A. Hadi Deira, Dubai, UAE
Franklin C. M. Lew Vancouver, British Columbia
Samir A. Manji Vancouver, British Columbia
Andrew L. Oppenheim Calgary, Alberta
James R. Penturn Toronto, Ontario
Benjamin Swirsky Toronto, Ontario

List of Officers

Samir A. Manji
President, Chief Executive Officer & Director

Renzo P. Barazzuol
Chief Financial Officer & Corporate Secretary

Colin R. Halliwell
Chief Operating Officer

Carol A. Brown
Senior Vice President, Human Resources & Community Operations

Marie Casista
Senior Vice President, Business Development

Shaila A. Shivji
Senior Vice President, Purchasing & Corporate Operations

Julie Cassidy
Vice President, Community Marketing

Elisa Prashad
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Stock Exchange

TSX Inc.
Trading Symbol: ACC, ACC.DB

Annual Meeting

Thursday, November 28, 2002 at 2:00 pm
Fairmont Royal York Hotel
100 Front Street West
Toronto, Ontario M5J 1E3

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